DISTRICT COURT, DENVER COUNTY, COLORADO 1437 Bannock Street Denver, CO 80202 GERALD ROME, Acting Securities Commissioner for the State of Colorado, Plaintiff, v. RICHARD ROOP, and BOTTOM LINE RESULTS, INC., Defendants.	▲ **COURT USE ONLY** ▲
JOHN W. SUTHERS, Attorney General RUSSELL B. KLEIN, 31965* First Assistant Attorney General JENNIFER H. HUNT, 29964* Assistant Attorney General 1300 Broadway, 8th Floor Denver, CO 80203 Klein Tel: (720) 508-6413 Hunt Tel: (720) 508-6401 russell.klein@state.co.us jennifer.hunt@state.co.us *Counsel of Record	Case No.: Courtroom:
COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF	

Plaintiff, Gerald Rome, Acting Securities Commissioner for the State of Colorado (the "Commissioner"), by and through his counsel, the Colorado Attorney General, and for his Complaint against the defendants, alleges as follows:

JURISDICTION

1. Plaintiff Gerald Rome is the Acting Securities Commissioner for the State of Colorado (the "Commissioner") and is authorized, pursuant to § 11-51-

703, C.R.S. to administer all provisions of the Colorado Securities Act (the "Act"). Pursuant to § 11-51-602, the Commissioner is authorized to bring this action against the Defendants and to seek temporary, preliminary and permanent injunctive relief and other equitable relief against the Defendants upon sufficient evidence that the Defendants have engaged in or are about to engage in any act or practice constituting a violation of any provision of the Act.

2. Venue is proper pursuant to § 11-51-602(1) in the district court for the city and county of Denver, Colorado.

SUMMARY OF THE ACTION

3. This case involves the fraudulent offer and sale of securities in the form of promissory notes secured by mortgages or deeds of trust upon real estate. Over $1.6 million has been raised by Roop from at least 25 investors in Colorado. In bringing investors into his program, Roop and his entity BLR (collectively, the "Defendants") failed to make numerous material disclosures regarding the nature of the investment and the use of funds by Roop and BLR.

4. The investment offered by the Defendants from at least 2008 through the present utilizes a strategy of investing in primarily distressed real estate. Investors are lured to invest in promissory notes offered by Roop offering an annual interest rate, typically 10%. Roop then uses the funds to acquire interests in distressed properties, relying upon the properties to generate the returns promised to the investors. In reality, Roop fails to make full disclosures regarding the investments, uses investor funds for personal expenditures, and ultimately resorts to the classic Ponzi scheme strategy of paying returns to older investors with newer investor funds.

DEFENDANTS

1. Defendant Richard Roop ("Roop") is an adult male individual whose last known address is 624 W. Midland Ave., Woodland Park, Colorado 80863.

2. Defendant Bottom Line Results, Inc. ("BLR") is a corporation organized under the laws of the state of Delaware. BLR operates and conducts its business in the state of Colorado, and has a last known address with the Secretary of State at 391 Rampart Range Road, Suite 1, Woodland Park, Colorado 80863. Roop is the president of BLR.

GENERAL ALLEGATIONS

Defendants' Private Lending Program

3. Defendants' primary business is the purchase and subsequent sale of real estate, focusing on properties with non-resident owners and distressed pre-foreclosure properties. To finance these transactions, Defendants use a "Private Lending Program," under which Defendants obtain funds from independent third party investors solicited through word of mouth, banners on BLR's building and automobile, or on its website, www.resultsquick.com. Roop performs little, if any, due diligence on potential investors to determine whether they are sophisticated or accredited investors.

4. To entice potential investors, Defendants offer interest rates that are double or triple the rates that investors could achieve with bank certificates of deposit, generally between 8% and 10% annually. Defendants claim that these rates are possible because, by cutting out the middlemen, they can avoid paying real estate commissions, mortgage broker fees, loan fees, and property management fees. Defendants also offer investors the option to invest using self-directed IRA accounts through Equity Trust Company, rather than cash investments.

5. Investors are told that their money will be used to fund the purchase of property, raise money to repair, maintain, and occupy those properties, and cover other costs associated with buying and selling real estate. Investors generally receive a deed of trust, frequently in a junior position, to secure a loan to purchase the distressed property. Typically, Defendants offer 8% on a mortgage in a first lien position and 10% on a mortgage in a second lien or junior lien position. The term of the private loans vary from 2 years to 5 years. Investors can elect to receive payments of interest monthly, or allow the interest to accrue until the end of the loan term.

6. Investors are provided with "pay-out agendas," listing the amount of the note, the interest rate, the borrower, and the schedule of payments. At the end of the loan term, many investors are given the opportunity to reinvest their funds into another 3- or 5-year note.

7. Between 2008 and 2014, Defendants have raised more than $1.6 million to fund the purchase of at least 61 properties.

The Real Estate Transactions

8. Once Defendants have the investments in place, they create a trust to purchase the property. The trust, which is generally given the family name of the seller, names BLR as the beneficiary and Roop as the trustee. Defendants make their money in this arrangement through the ultimate sale of the property.

9. When purchasing property from homeowners in financial distress or motivated homeowners with outstanding liens, Defendants sometimes obtain the property by agreeing to pay the existing mortgage. In these transactions, Roop promises to pay the loan in accordance with its terms, but the original borrowers remain legally obligated to repay the loan. If Roop fails to make payments the original borrower's credit rating will be damaged.

10. Defendants do not provide these sellers with required investor disclosures, credit reports, or financial statements, do not inform the sellers that they are unsecured, and do not provide any statement regarding the risk of foreclosure of the existing liens. On several occasions, Defendants have fallen behind on mortgage payments by as much as several months. In at least one such instance, a seller filed litigation against Defendants alleging that his credit rating was damaged, ultimately obtaining a default judgment against BLR and Roop.

11. On the other side of these real estate transactions, Defendants commonly sell properties under rent-to-own or installment land contracts. In the case of installment contract transactions, a buyer becomes an investor in the property when the buyer makes sufficient payments toward the agreed purchase price that the principal amount due on the underlying mortgage exceeds outstanding principal balance of the purchase price. If the buyer defaults on the contract, BLR retains all of the monies paid, including principal payments, down payments, or the value of any improvements made to the property.

Defendants' Misuse of Investor Money

12. Defendants often experience cash flow difficulties and struggle to make required investor, mortgage, and operating payments. As a result, Defendants have failed to make timely interest payments to investors on numerous occasions.

13. Based on the Division's financial analysis of BLR for the time period November 2008 through December 2011, BLR's business expense of $3.1 million exceeded business income of $3 million by approximately $100,000. During that same period, BLR recorded $1.4 million in new investments. This investor money was used not only for business expenses, but also to make payments to other investors, for Roop's personal expenses, and to make payments to Roop.com, a separate business of Roop's. In addition, investor money was used to pay Roop $40,000 over and above his own initial investment of $185,000, and to make payments to family members.

14. Thus, on information and belief, Defendants are not paying investors from business revenue, as expected, but instead engage in the practice of using new investor money to pay prior investors, as well as using investor money for personal expenses and payments.

Defendants Unlicensed Sale of Securities in Colorado

15. The promissory notes and real estate interests offered and sold by the Defendants are "securities" as described herein.

16. The Defendants acted as "broker-dealers" and/or "sales representatives" with respect to sales of the investments since, as these terms are defined in § 11-51-201(2) and (14), respectively, they engaged in the business of effecting or attempting to effect the purchases and sales of these mortgage interests for the accounts of others or purchasing or selling securities for their own accounts.

17. BLR was licensed as a mortgage broker-dealer, with Roop as its licensed mortgage sales representative, with the Division of Securities until July 2012.

18. Defendants' licenses were summarily suspended by the Securities Commissioner on July 2, 2012 based on Defendants refusal to provide records and documents in response to a request pursuant to § 11-51-409(2). Defendants did not appear at the hearing before the Colorado Securities Board in the summary suspension proceeding, and failed to file an answer in the revocation proceeding before the Office of Administrative Courts. Defendants' licenses were revoked by the Securities Commissioner effective the end of 2012 following an entry of default in September 2012.

19. The suspension and revocation of Defendants' mortgage broker-dealer license and sales representative license has not stopped Defendants from continuing to pursue their investment scheme.

20. Between January and October of 2013, Defendants solicited investments from at least 7 additional investors, raising approximately $284,000 to purchase 6 properties, despite the fact that Defendants were not licensed as mortgage broker-dealers or sales representatives, and despite their continued failure to register any of the investments as required by the Act.

21. Accordingly, for all transactions after July 2, 2012, the Defendants were not licensed as broker-dealers and/or sales representatives in the State of Colorado.

The Defendants Untrue Statements and Omissions

22. In connection with the offer, purchase, and sale of securities as described in this Complaint, the Defendants directly or indirectly failed to disclose to investors, material facts, including, but not limited to, the following:

a. the risks associated with the investments in Defendants' real estate acquisitions;

b. that Defendants had civil judgments against them;

c. that Defendants were involved in litigation pertaining to their companies;

d. that Defendants were using new investor money to make interest payments to existing investors;

e. that Defendants were required to have securities licenses to engage in their business;

f. that Defendants were using investor money to purchase real estate for their own benefit;

g. that Defendants had failed to make required payments in connection with the purchases of some properties;

h. that, subsequent to July 2, 2012 Defendants were not licensed as broker-dealers and/or sales representatives in the State of Colorado.

23. The Commissioner is aware of numerous individuals who have invested with the Defendants. The following sub-paragraphs detail the known conduct with respect to one investor and the acts, practices and course of business engaged in by the Defendants to defraud that investor, and is typical of the conduct engaged in by the Defendants with other investors:

a. In 2008, investor GC learned of Defendants' investment opportunity through an advertisement in the Teller County Extra, a weekly newspaper for the Woodland Park, Colorado, area. The advertisement claimed that investors could make 8-10% in interest annually by investing with BLR.

b. After talking to Defendants, GC understood only that Roop was in the business of buying and selling homes and that he would be investing in real estate. He did not fully understand how the investment would work or what his money would be used for.

c. On Roop's recommendation that he GC use his retirement funds to invest, GC transferred $168,000 from his existing 457 retirement plan into a self-directed IRA account at ETC. Roop promised to pay GC an annual interest rate of 10% over a three year period. GC elected not to receive monthly interest payments, opting instead to allow the interest to remain invested.

d. In connection with his first investment, GC received three separate notes each with its own pay-out agenda. The first note for a loan amount of $60,000 with a 10% interest rate listed GC's ETC account as the lender and the Yarrish Family Trust (Yarrish being the name of the seller of the underlying property) as the borrower. The second note for a loan amount of $65,000 at 10% interest again listed GC's ETC account as the lender but designated the Point Family Trust as the borrower. Finally, the third note for $43,000 at 10% interest listed the ETC account as the lender and the Rebne Family Trust as the borrower.

e. When these notes came due in late 2011, GC made several telephone calls to try to extend the term of his investment, but was unable to reach anyone on the office telephone. Finally, in November 2011, GC went to the BLR office in Woodland Park and spoke with someone who worked with Roop. It was only after GC told this person that he wanted to extend his investment that Roop contacted GC to set up a meeting.

f. GC met with Roop in November of 2011 to discuss the extension of the term of GC's investment. Roop agreed to extend the investment another 3 years at an interest rate of 10%, issuing GC a Note Modification Agreement ("NMA"). GC opted to reinvest his entire investment, less $2,000 to pay ETC's account fees.

g. The NMA was signed and executed on December 12, 2011. The new pay-out agenda showed that CG's investment had grown – on paper – to $224,000. GC did not receive any cash returns on his investment.

h. Aside from the pay-out agendas, GC did not receive any financial information regarding Roop, BLR, or any other Roop companies. GC did not receive any financial statements.

i. Prior GC's reinvestment in 2011, Defendants did not disclose (1) that Roop and BLR had missed payments to other investors; (2) that Roop and BLR had been using mortgages as well as investor funds for operations; (3) that Roop and BLR had missed payments on mortgages that they had assumed (including a mortgage payment for the Yarrish property); (4) that Roop and his businesses were experiencing financial difficulties often leaving them unable to pay mortgage payments, credit card payments, and investor payments; and that there had been a civil judgment filed against Defendants.

i. If GC had known the true condition of Defendants' business, he would have asked for his investment to be paid to his ETC account instead of reinvesting.

24. The promissory notes and real estate interests sold to investors are securities as contemplated by § 11-51-201(17), C.R.S. in that they are at least notes, evidence of indebtedness, or investment contracts. Defendants have never registered these investments under § 11-51-301, C.R.S., *et seq*.

FIRST CLAIM FOR RELIEF

(Offer or Sale of Unregistered Securities, § 11-51-301, C.R.S.)

25. Paragraphs 1 through 24 are incorporated herein by reference.

26. By engaging in the conduct described above, the Defendants have made "offers" or "sales" of securities in the State of Colorado pursuant to § 11-51-201(13), C.R.S.

27. The promissory notes and real estate interests offered and sold by the Defendants were securities and were not registered or exempted from registration as required by § 11-51-301, C.R.S.

28. By engaging in the conduct described herein, the Defendants offered and sold securities in and from Colorado in violation of § 11-51-301, C.R.S.

29. The Commissioner is entitled to an award of damages, interest, costs, attorneys' fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of the Defendants pursuant to §§ 11-51-602(2) and 604(1), C.R.S. (based on violations of § 11-51-301, C.R.S.). The Commissioner is also entitled to a temporary, preliminary and permanent injunction pursuant to § 11-51-602, C.R.S. (based on violations of § 11-51-301, C.R.S.) against the Defendants, their agents, servants, employees, successors and attorneys-in-fact, as may be; any person who, directly or indirectly, through one or more intermediaries, controlled, or is controlled by or is under common control with the Defendants; and all those in active concert or participation with the Defendants.

SECOND CLAIM FOR RELIEF

(Unlicensed Activity, § 11-51-401, C.R.S.)

30. Paragraphs 1 through 29 are incorporated herein by reference.

31. Defendants are selling securities in the form of promissory notes secured by mortgages or deeds of trust to investors in Colorado, with Defendant

BLR acting as a broker-dealer and Defendant Roop acting as a sales representative for BLR.

32. Defendant BLR obtained a license authorizing it to conduct business in the State of Colorado as a mortgage broker-dealer on March 11, 1996. Defendant Roop obtained a license authorizing him to conduct business in the State of Colorado as a mortgage sales representative on March 11, 1996.

33. Defendants' broker-dealer and sales representative licenses were summarily suspended pursuant to § 11-51-606(4), C.R.S. for failure to comply with book and records request by Final Agency Order of the Colorado Securities Commissioner, dated July 2, 2012. These licenses were revoked by the Securities Commissioner effective December 31, 2012.

34. Defendants are transacting business in this state as a broker-dealer and sales representative without a license, in violation of § 11-51-401(1), C.R.S.

35. Defendant BLR is acting as a mortgage broker-dealer or issuer and is employing or otherwise engaging Roop to act as an unlicensed mortgage sales representative, in violation of § 11-51-401(2), C.R.S.

36. Each Defendant is jointly and severally liable to the Commissioner for damages, interest, costs, and reasonable attorneys' fees, pursuant to § 11-51-604(2)(a), C.R.S. based on violations of § 11-51-401, C.R.S., and restitution, rescission, disgorgement, and equitable relief on behalf of all persons injured by the acts and practices described in this claim for relief pursuant to § 11-51-602(2), and the Commissioner is further entitled to a temporary and permanent injunction against each of the Defendants, their officers, directors, agents, servants, employees, and successors; any person who directly or indirectly, through one or more intermediaries, controlled or is controlled by or is under common control with any of the Defendants, and all those who acted in concert participation with any of the Defendants pursuant to § 11-51-602, C.R.S., based on violations of § 11-51-401, C.R.S., enjoining the conduct alleged above.

THIRD CLAIM FOR RELIEF

(Securities Fraud, § 11-51-501, C.R.S.)

37. Paragraphs 1 through 36 are incorporated herein by reference.

38. The conduct described above in this Complaint constitutes violations of the Colorado Securities Act.

39. In connection with the offer, sale, or purchase of securities in Colorado, Roop and BLR directly or indirectly:

a. employed a device, scheme, or artifice to defraud;

b. made untrue statements of material fact or omitted to state a material fact necessary to make the statement made, in light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, acts, practices, or courses of business that operated or would operate as a fraud or deceit;

all in violation of § 11-51-501(1), C.R.S.

40. The Defendants offered or sold securities by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading (the buyers not knowing of the untruths or omissions), and therefore Defendants are liable to the Commissioner for damages under § 11-51-604(4), C.R.S., by operation of § 11-51-602(2), C.R.S., based on violations of § 11-51-501(1)(b), C.R.S.

41. Each Defendant is jointly and severally liable to the Commissioner for damages, interest, costs, and reasonable attorneys' fees, pursuant to §§ 11-51- 604(4), and (5)(c), C.R.S. based on violations of § 11-51-501, C.R.S., and restitution, rescission, disgorgement, and equitable relief on behalf of all persons injured by the acts and practices described in this claim for relief pursuant to § 11-51-602(2), and the Commissioner is further entitled to a temporary and permanent injunction against each of the Defendants, their officers, directors, agents, servants, employees, and successors; any person who directly or indirectly, through one or more intermediaries, controlled or is controlled by or is under common control with any of the Defendants, and all those who acted in concert participation with any of the Defendants pursuant to § 11-51-602, C.R.S., based on violations of § 11-51-501, C.R.S., enjoining the conduct alleged above.

FOURTH CLAIM FOR RELIEF

(Imposition of Constructive Trust or Equitable Lien)

42. Paragraphs 1 through 41 are incorporated herein by reference.

43. The Defendants have received funds fraudulently obtained from investors.

44. The Defendants received these fraudulently obtained funds without giving a reasonably equivalent value in exchange and, as a result, have no legitimate right or claim to these monies. The Defendants therefore will be unjustly enriched if they are allowed to maintain ownership of the funds fraudulently obtained.

45. Based on the foregoing, each of the Defendants or entity controlled by them, are constructive trustees with respect to the fraudulently obtained funds received from the investments for the benefit of the investors. As constructive trustee with respect to these fraudulently obtained funds, each of the Defendants hold these funds under circumstances in which it is unjust or inequitable for any of the Defendants, or any entity controlled by them, to retain the funds.

46. Based on the foregoing, the Commissioner requests that the Court impose a constructive trust and/or equitable lien on the fraudulently obtained funds received by each of the Defendants, and order each of the Defendants, and any entity controlled by them, to account for and disgorge all funds received by them.

WHEREFORE, Plaintiff prays for relief as follows:

1. For preliminary and permanent injunctive relief against the Defendants Richard Roop and Bottom Line Results, Inc., enjoining them from any violation of the Act and ordering the non-destruction of records.

2. For a judgment in an amount to be determined at trial against each Defendant, jointly and severally, for restitution, disgorgement, and other equitable relief pursuant to § 11-51-602(2), C.R.S. and for damages, rescission, interest, costs, reasonable attorney fees, and such other legal and equitable relief as the Court deems appropriate, pursuant to §§ 11-51-602(2) and 604, C.R.S., all on behalf of persons injured by the acts and practices of all Defendants violations of the Colorado Securities Act.

3. For an Order imposing a constructive trust on the fraudulently obtained funds held by each Defendant, or any entity controlled by them, and to order these Defendants to account for and disgorge all funds fraudulently obtained by them from the investors and transferred to them.

4. For such other and further relief as the court deems just and proper.

DATED this 3rd day of April, 2014.

JOHN W. SUTHERS
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/s/ Jennifer H. Hunt

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